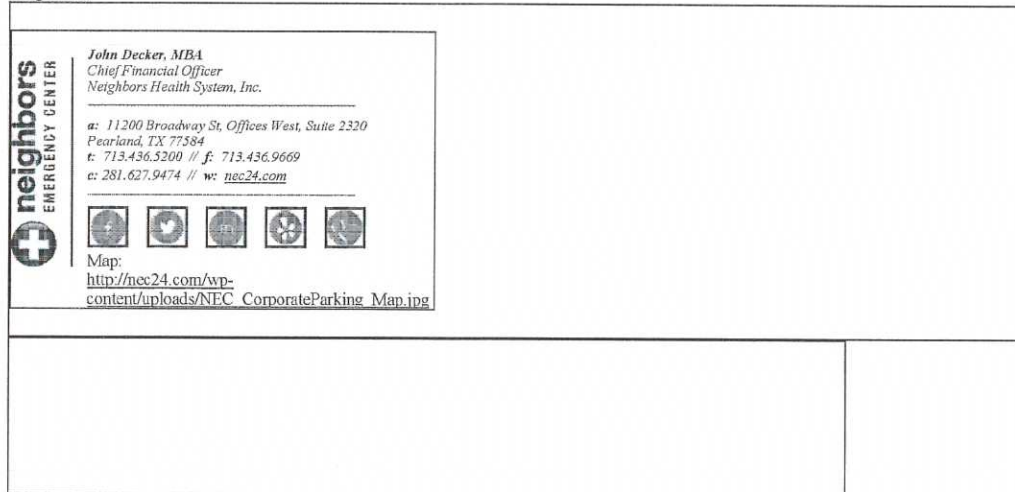


From: John Decker [jdecke@nec24.com]
Sent: Tuesday, June 23, 2015 2:26 PM
To: Brandon Johnson
Subject: Re: follow-up from Q Investments
Attachments: FSA 123114-13 Final Report.pdf

Brandon,

Please see attached.

Regards,



On Tue, Jun 23, 2015 at 2:23 PM, Brandon Johnson <bjohnson@acmewidget.com> wrote:

John, just wanted to check in again on the audited financials?

Thanks.

Brandon

From: John Decker [mailto:jdecke@nec24.com]
Sent: Wednesday, June 03, 2015 10:14 AM
To: Brandon Johnson
Subject: Re: follow-up from Q Investments




LT033048

Brandon,






We have drafts but expect the final audit in a few more days. We will be working with the investment bank in the next couple of weeks getting the facility ready. I'll have their Term B desk contact you.

Regards,



John Decker, MBA
Chief Financial Officer
Neighbors Health System, Inc.

a: 11200 Broadway St, Offices West, Suite 2320
Pearland, TX 77584
t: 713.436.5200 // f: 713.436.9669
c: 281.627.9474 // w: nec24.com

Map:
http://nec24.com/wp-content/uploads/NEC_CorporateParking_Map.jpg

On Tue, Jun 2, 2015 at 1:19 PM, Brandon Johnson <bjohnson@acmewidget.com> wrote:

Hi John, I wanted to check in with you re: a couple of things:

- 1) Are the 2014 audited financials complete? Would you be able to send them to me?
- 2) How is the new term loan raise going? When do you think that will be completed? If it's something where adding an additional capital source would help, we might be interested in participating or doing a mezz or equity deal.

LT033049

Thanks.

Brandon

From: John Decker [mailto:jdecker@nec24.com]
Sent: Wednesday, April 22, 2015 1:59 PM
To: Brandon Johnson
Subject: Re: follow-up from Q Investments

Brandon,

Sorry for the delay in getting back with you but I've been busy with meetings. Sometimes they never seem to end.

Not real sure what you mean by a full year cash flow statement. Cash flow is a snapshot in time. If you have our year end internal financial statements you should have the December cash flow statement which states our cash position at year end. We don't usually run cumulative cash flow statements.

Our audit for 2014 is scheduled for release in a few weeks. Since they are to PCAOB standard it takes little longer to go through the audit firm's quality process.

The statements you have do not have eliminations. The actual expense is \$111M and the \$7.3M difference (which is in hidden cells in the expense section) would eliminate against the management fee income. Reduce revenue by \$7.3M against the \$111M expense and everything will reconcile. We also haven't eliminated rental income from facility lease payments for owned facilities per GAAP. We do use a mechanism to eliminate intercompany accounts at the end of every month so that is one elimination we do execute. We just don't eliminate everything in the books until we officially close the year, which only happens after the audit and taxes are complete.

We do have complete schedules of ownership but will not share them as we are a private company. Technically the doctors own 100% as we do not have any outside investors. Class B owns a certain amount and the Class A doctors (the 8 board members) own the delta depending on the facility.

The average facility costs us \$2.8M to \$3M in TI. We also have \$450K in CT, X-ray, and Ultrasound that is


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leased via an operating lease. Our operating leases for equipment will be detailed in the audit notes.

The Term B we will close late summer is being lead on the left side by KeyBanc Capital Markets in Cleveland, OH and BBVA Compass will take a junior position. The amount will be somewhere between \$200M and \$250M depending now how much leverage we choose to take on the balance sheet and if we will use any mezzanine debt. As for uses, the first \$50M will take out our current Term A with BBVA Compass. The next \$50M to \$75M will be for working capital to take us through our 2017 capital expense expansion. There will be a \$30M revolver with another \$30M accordion in committed capital. The remaining amount will be for a recap but we have not settled on that number yet. I actually have a meeting today to discuss but our board hasn't settled on numbers for the recap yet. We also might devote part of the debt for a reserve for possible acquisitions but we might also wait until after an IPO to start serious M&A activity.

Hope that info helps.

Regards,

 <p>John Decker, MBA <i>Chief Financial Officer</i> <i>Neighbors Health System, Inc.</i></p> <hr/> <p>a: 11200 Broadway St, Offices West, Suite 2320 Pearland, TX 77584 t: 713.436.5200 // f: 713.436.9669 e: 281.627.9474 // w: nec24.com</p> <hr/> <p>Map: http://nec24.com/wp-content/uploads/NEC_CorporateParking_Map.jpg</p>	

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On Mon, Apr 20, 2015 at 12:44 PM, Brandon Johnson <bjohnson@acmewidget.com> wrote:

John, it was great meeting you last week. I just have a few quick follow-up questions for you that we didn't get a chance to cover:

- We have a packet of financials for 2014, but these does not seem to be a cashflow statement for the full year 2014. Can you please send us a full year 2014 cashflow statement?
- Do you have 2014 audited financials completed? If yes, can you please send to us?
- On the attached income statement, when we add up the 3 categories that make up total expenses (overhead, operating and administration) we get \$111 mm of expenses for 2014, but the total expenses line item says \$118 mm, so there seems to be a \$7 mm delta that we can't bridge (see graphic below). Can you please help us bridge this?

Overhead	\$ 7,952,634.79
Operating Exp	\$ 96,472,730.53
Administration Exp	\$ 6,857,914.56
Subtotal	\$ 111,283,279.88
Total Exp	\$ 118,601,399.37
Total Exp minus Subtotal	\$ 7,318,119.49

- Do you have a schedule showing Neighbors' % ownership of the various FSEDs. In the meeting, it was mentioned that the doctors own 30-60%. We're just trying to think about what EBITDA is attributable to Neighbors vs that which is attributable to the doctor ownership.
- I just wanted to confirm that I wrote down the correct number on this one – after Read King develops a new building for you, does Neighbors invest \$2.8 mm of tenant improvements / finish-out / medical equipment?
- Lastly, on the \$250 mm credit facility that you are working on, can you give us a breakdown of:
 - How much would be term loan and how much revolver?
 - How much would go to fund a dividend / recapitalization?

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- How much would be for new location openings (i.e., the \$2.8 mm mentioned in my question above)?
- What other items would this be for?
- What banks are you working with on this facility?

Thanks so much for your help on these remaining items and for taking the time to meet with us last week. We're looking forward to working with you and the Read King team.

Brandon

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